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THE OUTLOOK FOR ITALY

Submitted by the
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on 13 June 1961. Concurring were The Director of Intelligence and Research, Department of State; the Assistant Chief of Staff for Intelligence, Department of the Army; the Assistant Chief of Naval Operations (Intelligence), Department of the Navy; the Assistant Chief of Staff, Intelligence, USAF; the Director for Intelligence, Joint Staff; the Assistant to the Secretary of Defense, Special Operations; and the Director of the National Security Agency. The Atomic Energy Commission Representative to the USIB, and the Assistant Director, Federal Bureau of Investigation, abstained, the subject being outside of their jurisdiction.

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THE OUTLOOK FOR ITALY

THE PROBLEM

To estimate the outlook for Italy for the next two years or so¹ with particular reference to internal political stability.

CONCLUSIONS

1. The political situation in Italy continues to be one of chronic governmental instability and immobilism. Although the Christian Democrats (CD), with the support of the other center parties, have continued in power, they have lacked the strength and cohesion to assure stable and effective government and have been confronted with an erosion of popular confidence and support. The effort of the present CD leadership to enlarge the electoral and parliamentary support of the democratic center through rapprochement with the non-Communist wing of Nenni's Socialist Party (PSI) has become a central and highly controversial issue in contemporary Italian politics. (*Paras. 8-9, 34*)

2. Although cautious moves toward CD-PSI collaboration have achieved progress at the local level and will almost certainly continue, it is highly unlikely that a basis for an actual alliance at the national level

acceptable to the bulk of both parties can be achieved within the next two years. The maximum that the CD can expect is a PSI which continues its gradual dissociation from the Communists and is prepared to abstain when future CD-led governments are formed. (*Paras. 14, 22, 34*)

3. Thus the outlook is for continued instability, at least through the next parliamentary elections, which must be held by the spring of 1963 but may come sooner. However, the present Fanfani government will probably survive until November 1961, in part because a number of parliamentary groups fear that President Gronchi would seize the occasion of a governmental crisis to dissolve Parliament and call for new elections in order to enhance his own chance for re-election to the Presidency. (*Para. 32*)

4. After November, President Gronchi will lose his authority to dissolve Parliament, and the divisive tendencies of the center parties will revive. This situation is likely to bring about Fanfani's fall and

¹That is until the scheduled election of a new Parliament in the spring of 1963.

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inaugurate a prolonged period of political instability. Although efforts will probably be made to form a left-center government with a positive program and an assured majority involving PSI abstention, these efforts will have a less than even chance of success, and a CD caretaker-type government will probably emerge. (Para. 33)

5. Italy has compiled an impressive record of economic growth over the past decade, but popular expectations appear to have risen faster than living standards, and large segments of the electorate have demonstrated increasing discontent with social and economic inequities. While Italy has the potential for continued economic growth, the prospects for basic economic and social reforms depend far more upon political than on economic factors. It is improbable that sufficient progress will have been made during the next two years to improve appreciably the prospects of the CD and other center parties in the next general elections, or to lead to a substantially decreased Communist strength. (Paras. 8, 25-29)

6. Italy's large internal security forces are capable of dealing with much more serious and widespread disorders than those

which they have controlled successfully in the past. In view of the nonpolitical attitude of the present officer corps, the military are unlikely to intervene in any political crisis envisaged during the next two years, though they would assist the internal security forces if called upon to do so. (Paras. 30-31)

7. Italian governments will continue to support American objectives in NATO and in Atlantic Community affairs in general. The Italian Government will probably continue to display a keen interest in the establishment of a NATO multilateral nuclear capability. There will, however, continue to be difficulty in securing from Italy financial support for NATO activities and Organization for Economic Cooperation and Development (OECD)-sponsored international economic aid programs. Any CD government can be counted on to follow the lead of the US on most foreign policy issues, but cannot be counted upon to support present US policy on the issue of UN membership for Communist China. Italy's trade with the Sino-Soviet Bloc will increase, but we consider it unlikely that trade with the Bloc would assume sufficient importance to have a noticeable effect on Italy's defense or foreign policy. (Paras. 35-39, 42)

DISCUSSION

I. INTRODUCTION

8. The political situation in Italy continues to be characterized by chronic governmental instability. There has been an impressive record of economic growth and a steady rise in Italian living standards over the past

decade, but popular expectations appear to have risen faster than living standards, and large segments of the electorate have demonstrated increasing discontent with social and economic inequities. Public disenchantment is reflected in the narrowing electoral base on which all the democratic pro-Western gov-

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ernments of postwar Italy have depended for their survival. There has been a constant danger of polarization to the extremes of the antidemocratic right and left, and a significant drift of the center of gravity of the electorate to the left has already occurred.

9. Because of party factionalism and the heterogeneous nature of their parliamentary support, most governments have been unable or unwilling to take legislative and executive action to achieve long-promised economic, social, and fiscal reforms. Moreover, the Italian constitutional and electoral systems have operated to perpetuate a weak executive and a fragmented Parliament, thereby inviting popular discontent with the governing political forces. Thus Italy—a country which does not have a strong democratic tradition and is beset with severe social strains—is approaching an election period with a government entrapped in immobilism.

II. FACTORS BEARING ON POLITICAL STABILITY

A. Political Parties and Pressure Groups

10. *The Democratic Forces.* Italy has been governed since 1948 by the Christian Democratic Party (CD), either alone or in coalition with the smaller democratic parties of the center. In 1948, the parties comprising the democratic center—CD, Liberals (PLI), Republicans (PRI) and Social Democrats (PSDI)—won the votes of 62 percent of the electorate, but this was the high point of electoral success for the democratic parties. Since 1953 they have been able to muster not much more than 51 percent of the total vote. At the same time, the combined strength of the Communists (PCI) and Nenni Socialists (PSI) in national elections has risen from 31 percent in 1948 to 37 percent in 1958, while the neo-Fascists (MSI) have held their own at 5 percent. The local elections of 1960 have reflected the same trends. (See Table)

TABLE

DISTRIBUTION OF VOTE IN ITALIAN ELECTIONS, 1948-1960

(Percent of Total Vote)

	1948	1953	1956 PRO- VINCIAL ^c	1958 PARLIA- MENTARY	1960 PRO- VINCIAL ^d
Christian Democrats (CD)	48.5	40.1	38.9	42.4	40.3
Democratic Socialists (PSDI)	7.1	4.5	7.5	4.6	5.7
Liberals (PLI)	3.8	3.0	4.2	3.5	4.0
Republicans (PRI)	2.5	1.6	1.3	1.4	1.3
Total Center	61.9	49.2	51.9	51.9	51.3
Communists (PCI)		22.6		22.7	24.5
Nenni Socialists (PSI)	^a	12.7	^a 35.2	14.2	14.4
Total Left	31.0	35.3	35.2	36.9	38.9
Neo-Fascists (MSI)	2.0	5.8		4.8	5.9
Monarchists (PDI)	2.8	6.9	^b 10.9	4.8	2.9
Total Right	4.8	12.7	10.9	9.6	8.8
Others	2.3	2.8	2.0	1.6	1.0

^a Communists and Nenni Socialists ran together.

^b Neo-Fascists and Monarchists ran together.

^c Statistics for 78 of 92 Italian provinces.

^d Statistics for 77 of 92 Italian provinces.

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11. The effectiveness of the CD, the largest party, with over 40 percent of the national vote, is impaired by deep-rooted factionalism, with strong progressive and conservative elements of almost irreconcilable viewpoints competing for the support of a large group of uncommitted or opportunistic CD deputies. At present the party apparatus is controlled by elements who are eager to refurbish the party's image as a dynamic instrument of social change. On the other hand, CD conservatives hold sympathies generally closer to the parties of the right than to their own colleagues. They retain considerable influence within the parliamentary delegation and include many prominent and powerful personalities. The CD Party, which lost its parliamentary majority in 1953, has had to make political alliances with the moderate left or with the moderate right in order to form a coalition government, and in some instances has had to rely on the extreme right in order to form a purely CD government. In each case these alliances weakened CD internal cohesion and created public confusion. The result has been a series of ineffectual governments of limited tenure.

12. The present minority CD government of Premier Amintore Fanfani was created in a climate of fear and urgency stemming from an outbreak of anti-Fascist riots which undermined the right-wing CD government of Premier Tambroni. The latter's government had been formed in May 1960 with neo-Fascist MSI support after a number of efforts to form a center-left government with PSI support had failed. The potential threat to parliamentary government and the fear of further polarization to the political extremes prompted the closing of ranks among the democratic forces within and outside the CD and led to the formation of the Fanfani government in August 1960 with the support of the PSDI, PRI, and PLI. The Monarchists (PDI) and the PSI abstained, leaving the Communists and the neo-Fascists in the opposition. This was the first time since 1947, when the PSI was a member of the government coalition, that this party abstained on a vote of investiture.

13. The present Fanfani government is a "government of truce" or, as its adherents euphemistically term it, a "government of parallel convergences." It exists without a sufficiently homogenous parliamentary majority to legislate a program even if one were to be formulated. The resulting immobilism is quite acceptable to the extreme rightists as well as to the Communists and to their fellow travelers in the PSI, since it serves to highlight the ineffectuality of the present government majority. Conservative elements which would be inclined to strike out at the government should it attempt any major economic or social legislation, including the PLI within the ranks of the government's supporters, are disposed to be quiescent so long as the government continues to temporize on important legislation. Most other deputies wish to avoid a new crisis and possible new elections at least for the present. Thus, paradoxically, the inability of the government to carry out an effective program favors its maintenance in power for the time being.

14. Premier Fanfani and CD Party Secretary Aldo Moro have for some time been trying to create a stable realignment of political forces, in order to provide the support required for a dynamic program of social and economic reform. Their efforts have been directed toward drawing the PSI and its electorate away from their long association with the Communists. Against vigorous and outspoken opposition from the PLI conservatives, from right-wing CD elements, and from influential members of the Church hierarchy, Fanfani and Moro for the first time successfully established CD-PSI coalitions in a number of municipal councils following the local elections in November 1960. This step is the first concrete result of several years of effort on the part of Fanfani and his adherents to hasten the split of the PSI from the Communist alliance. They hope that eventually the PSI will cooperate in the establishment of a broadly-based center-left government strong and stable enough to cope with Italy's social and economic problems.

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15. The more pressing of these problems are: the poverty of southern Italy (*the Mezzogiorno*), which has been an enduring feature of the Italian economy and a source of social malaise; a tax system which, although valuable as an automatic brake on inflation, serves to intensify the inequities in the distribution of wealth; the lack of effective antitrust legislation and supervision of stock market transactions; an outmoded central administrative structure which has become a prime example of red tape bureaucracy; widespread corruption at all levels of government; lack of a long-range education program to meet Italy's present and future needs, further complicated by the traditional controversy between the Church and secular authorities; and the ever-present problem of unemployment and underemployment. These problems have been debated at length but only sporadic and inadequate legislative action has resulted.

16. Working in conjunction with the political parties of the democratic center are a number of socio-economic institutions and pressure groups whose influence on specific factions may be crucial to the survival of a government, or to the direction of its policies. These groups include the Confederation of Italian Industrialists (*Confindustria*), the Small Farmers Confederation, and the non-Communist cooperatives and trade union groups. In addition, there exists a state-owned monopoly, the Italian National Hydrocarbon Agency (ENI) headed by Enrico Mattei, under whose leadership ENI has evolved into a "state within a state." Mattei plays a significant behind-the-scenes role in Italian politics by dispensing funds and patronage to a variety of political parties, party factions, and influential individuals, thus insuring a minimum of government and parliamentary interference in his operations. *Confindustria* exerts its influence through the PLI and right-wing elements of the CD. Together with the leaders of the Small Farmers Confederation, representatives of industry and banking have opposed CD-PSI rapprochement, fearing more government intervention and control over the economy. They also profess anxiety that this development would eventually lead to a general increase

in Communist influence on government via subversive elements in the PSI.

17. The Church, which also exerts a profound influence on Italian politics, has observed with growing concern the difficulties of the CD in forming and maintaining effective governments. Despite strenuous efforts throughout the country, the Church and its political auxiliaries have made little headway in their attempts to expand or even maintain their influence in northern and central Italy, where a strong socialist and anticlerical tradition flourishes. The Catholic hierarchy has as a matter of principle opposed CD-PSI rapprochement, although on practical grounds the Church has sanctioned CD collaboration with the PSDI and PLI, both basically anticlerical parties. The majority of the Church hierarchy, one of whose principal spokesmen is Cardinal Siri of Genoa, remains opposed to CD-PSI rapprochement. However, with the decentralization of authority under Pope John XXIII, some key churchmen like Cardinal Montini have indicated that they are more "possibilistic" about such an eventuality. It appears that many CD leaders are determined to proceed with their plans for PSI rapprochement in the belief that, as one CD leader expressed it, "the Church will violently condemn adultery, but will bless the children of adultery."

18. *The Antidemocratic Forces.* The neo-Fascists and the Communists have frequently taken parallel actions designed to frustrate and discredit the government. The agitation of these antidemocratic and subversive forces working upon popular dissatisfaction has occasionally erupted into open violence and political rioting, but has not so far seriously threatened the existence of the parliamentary regime.

19. The neo-Fascist MSI made some gains in the November 1960 local elections, mostly at the expense of the Monarchist PDI, which is not likely to survive the next general elections as a national political force. Although the total vote of the MSI is small (about five percent), it could, under critical circumstances, attract a number of conservative voters who have become disaffected with the CD and

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other center parties and who fear growing Communist influence in Italy.

20. The Italian Communist Party is second only to the Church itself in its ability to influence Italian public opinion. It is well organized for political agitation and propaganda. It has control over the principal trade union federation (the CGIL) and also operates through a variety of social, economic, and propaganda organizations. Although the PCI has suffered recurrent defections, e.g., as a result of the Hungarian revolution, in 1960 the PCI claimed a membership of nearly 1,800,000. Even allowing for padding in this figure, it is the largest Communist party outside the Sino-Soviet Bloc.

21. The PCI still retains the votes of one-fourth of the electorate, though many appear to vote Communist as a form of social protest rather than out of ideological conviction. In the 1960 local elections, the Communists made some gains, often at the expense of the PSI, in areas where economic conditions had actually improved. Nevertheless, the threat of isolation is a matter of concern to the Communist leadership and it has made strenuous efforts to prevent CD-PSI rapprochement, employing intimidation, financial pressure, and ideological arguments on individual Socialist functionaries. The Communists have also endeavored to manipulate factions within the PSI. Animosity between the PCI and the leadership of the PSI has increased, and the polemics exchange in 1961 have been vitriolic.

22. *The PSI.* The PSI is at present and will probably continue for some time to be the focus of a bitter struggle between the democratic center and the Communists. The outcome of this struggle may fundamentally affect the future structure of Italian politics. Both the Fanfani and Nenni adherents appear to be convinced that CD-PSI collaboration is an essential prerequisite to a social and economic legislative reform program. The ultimate objective of the left-of-center forces is a PSI separated from all ties with the Communists, particularly in the trade union and cooperative movements. This separation, however, is rendered particularly difficult for

Pietro Nenni because many local PSI organizations depend on PCI financial support. Moreover, many PSI functionaries are dependent on Communist support for appointive and elective positions in local administrations throughout Italy. Socialists also are members of the Communist-controlled CGIL and hold a number of posts in that trade union. The traditional abhorrence of Nenni, and of the Socialist movement generally, to splitting the trade union movement is also a major obstacle to PSI-CD cooperation, especially in view of the continuing weakness and persistent schisms in the non-Communist unions. Moreover, the decline of the Saragat PSDI since that group split away from the PSI in 1947 remains as a grim reminder to Nenni and his followers of the risks involved in "splitting the left."

23. Nevertheless, ever since 1956, when the PSI abrogated the unity of action pact with the PCI, Nenni and his "autonomist" wing of the party have been moving steadily away from the PCI, especially with regard to the political means of achieving domestic goals and to a more limited extent in foreign policy. At the PSI National Congress in March 1961, Nenni achieved passage of a resolution pledging the party unconditionally to the "democratic method for the attainment and exercise of power." This represents a formal repudiation of the principle of ideological and political alliance with the Communists. Although ruling out direct participation in a CD government for the present, the resolution approved PSI parliamentary support for a government committed to a concrete program which would signify a "shift to the left" in domestic policy. In foreign affairs, the PSI has moved away from its initial pro-Soviet attitude but remains neutralist in its official policy and basic outlook. Thus, the PSI, while officially endorsing Italian commitments to NATO and rejecting unilateral disarmament, generally continues to favor elimination of foreign military bases in East and West, a ban on additional military obligations and the reduction of existing ones, and the association of Italy with the "initiatives of peace" of the neutral powers.

24. The 1961 party Congress left Nenni in control of the PSI but with a majority reduced from 58 to 55 percent, while the militantly pro-Communist (*carristi*)² wing was able to increase its strength from 32.6 to 35 percent, to which must be added the seven percent represented by the Basso group, which generally aligns itself with *carristi* policies. Thus the PSI remains badly divided. As in the past, Nenni, who is now over 70 years of age, remains the most important asset of the PSI, particularly to the "autonomist" wing. His disappearance from the national political scene would almost certainly retard, if not actually reverse the development of "autonomist" policy in the party.

B. Economic Trends Affecting Political Stability

25. Impressive economic developments have been a major factor in preventing Italy's chronic political instability from assuming more extreme forms. For the past eight years, Italy has had an average annual rate of Gross National Product (GNP) growth in real terms (i.e., constant prices) of almost six percent, well above the average of most other industrial nations. Italy's currency is stable. The proportion of national income which goes into domestic investment is higher than the average of the OECD countries. The modern and efficient industrial capacity provides a solid foundation for the further expansion of Italian exports, which increased at an annual rate of 5.1 percent in real terms during the period of 1955-1959. Although a trade deficit is a structural characteristic of Italy's economy, large receipts from tourism, remittances of Italians living abroad (including those temporarily working abroad), and from international financial operations, have resulted in substantial payments surpluses in recent years. Foreign exchange reserves reached \$3.5 billion in 1960.

² This name is derived from the fact that the members of this faction supported the brutal crushing of the Hungarian uprising in 1956 accomplished by the Russians with the use of tanks, *carri*.

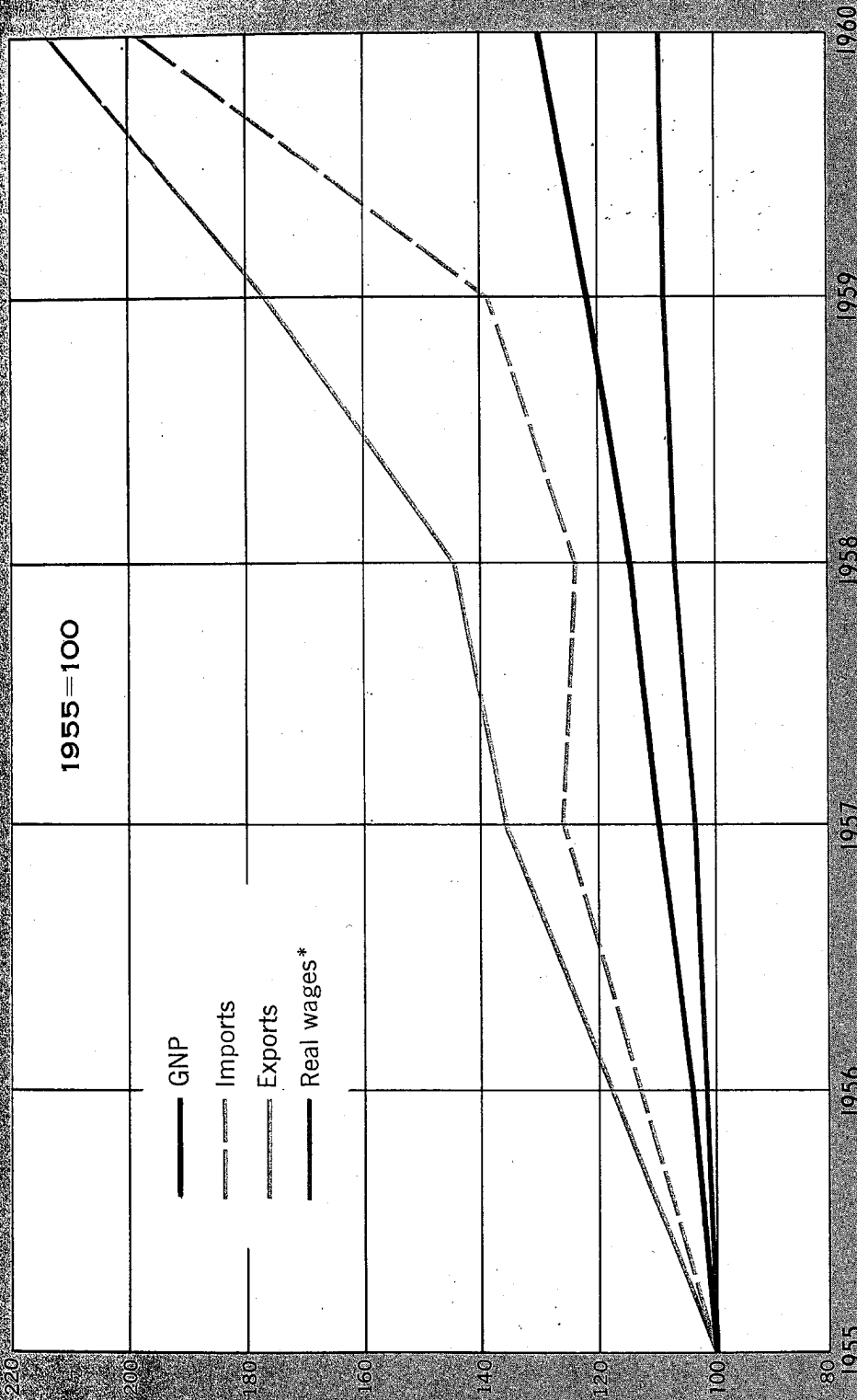
26. Despite these economic advances, Italy still suffers from chronic and deeply-rooted economic problems which adversely affect major segments of the Italian population and which must be resolved if genuine political stability is to be secured. Italy's per capita income is still only 55 percent that of West Germany and 45 percent that of the UK. Moreover, this average figure does not adequately reflect the great disparity in actual living standards which exist within Italy. Italy continues to suffer from depressed conditions in the South, inadequate development of agriculture, insufficient technical training to meet the demands of a growing economy, low wages, and a continuing high level of underemployment and unemployment.

27. Registered unemployment remains static at about 1.5 million, more than seven percent of the total labor force. Moreover, this figure does not include considerable numbers of unemployed in the agricultural sector, nor does it reflect the large number of workers who are chronically underemployed and impoverished. Unlike the situation in many other countries with similar problems, population growth is not at present a significant factor. In the period 1955-1960, the population increased by only four percent, bringing the total to roughly 50 million.

28. In general, Italian labor has only partially shared in the economic prosperity of recent years. There was a substantial growth (30 percent) in the real GNP during the period 1955-1960. During the same period, total real wage payments rose 20 percent, but only half of this figure represents an increase in real hourly wages (see Figure 1). The remainder was due to a rise in the number of workers. The discrepancy between the rise in the GNP and real wage payments reflects a high rate of investment, but it also reflects an increasingly uneven distribution of income.

29. While Italy undoubtedly has the potential for continued economic growth at a relatively rapid rate, political and institutional factors make it unlikely that the present rate of growth can be increased much during the next few years, and it is possible that tempo-

INDICES OF ITALIAN GNP, REAL WAGES, AND EXPORTS AND IMPORTS, 1955-60



*Average hourly wage per worker (in constant prices) including family supplements

rary declines may occur. In fact, the prospects for basic economic and social reforms depend far more upon political than on economic factors. The most likely development during the next two years is a slightly increased activity in certain fields, e.g., the improvement of the road and rail system, a better organized farm program, and possibly some restraint of monopolistic practices. But the unstable character of Italian governments and their consistent lack of initiative on most issues of social and economic reform make it improbable that sufficient progress will have been made during the next two years to improve appreciably the prospects of the CD and the other center parties in the next general elections.

C. Internal Security and Military Forces

30. Were it not for the fact that the central government maintains large internal security forces with a demonstrated capability for quelling riots and disorders, it is possible that many more political battles would have been fought out in the streets than has been the case to date. These well-equipped forces, consisting of a 75,000-man Public Security Force and 79,500 *Carabinieri* (militarized police), do not appear to have been adversely affected by the frequent changes of government and the general political instability. These forces are capable of dealing with much more serious and widespread disorders than those which they have controlled successfully in the past.

31. Italy's armed forces consist of a 246,000-man army, a 38,000-man navy, and a 52,000-man air force. These are generally well disciplined forces loyal to the government. The officer corps of these forces, whose members are largely of aristocratic or conservative middle class origin, appears to be almost completely free of Communist influence and is generally pro-Western and strongly pro-NATO. In view of the nonpolitical attitude of the present officer corps, the military are unlikely to intervene in any political crisis envisaged during the next two years, though they would assist the internal security forces if called upon to do so.

D. Prospects for Political Stability

32. The present Fanfani government will continue to lead an extremely precarious existence but will probably survive until November 1961, in part because a number of parliamentary groups fear that President Gronchi would seize the occasion of a governmental crisis to dissolve Parliament and call for new elections in order to enhance his own chance for re-election to the Presidency.³ The government could be brought down before November, however, if the PLI and right-wing CD elements became convinced that Fanfani and Moro were about to expand further their collaboration with the PSI. Should the present government continue in office until November, its tenure thereafter would be less secure because, with no immediate risk of early elections, divisive tendencies among the center parties would have been revived.

33. This situation is likely to bring about Fanfani's fall and to inaugurate a prolonged period of intensified political instability which would be complicated by the maneuverings of the Presidential candidates. In this event, efforts will probably be made to form a left-center government with a positive program and a preconstituted parliamentary majority involving PSI abstention. We believe that these efforts have less than an even chance to succeed and that a CD caretaker type of government will probably emerge, either before or after the Presidential elections in the spring of 1962. The principal preoccupation of such a government would be the preparation for general elections which are presently scheduled for the spring of 1963, though they could conceivably be held earlier.

34. In the final analysis, the success or failure of PSI autonomy and eventual CD-PSI rapprochement—a central theme in Italian politics—will depend primarily on the determination of the present leadership of both parties. We expect the Fanfani and Nenni forces will continue to move with utmost cau-

³ After November, statutory limitations prevent President Gronchi, whose term of office expires six months thereafter, from dissolving Parliament and calling for new elections.

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tion to improve the atmosphere for possible future CD-PSI cooperation at the national level. The leadership elements of both parties are evidently aware that their own political futures are at stake and neither Nenni nor Fanfani appears to be prepared to risk schisms in their own parties which would most likely work to the advantage of the extremes in both. The political philosophy of the majority of the CD politicians is still basically incompatible with that of the present generation of Socialist leaders, including Nenni, who, despite their anticommunism, remain emotionally and ideologically opposed to the established order. The maximum the CD can expect during the period of this estimate, therefore, is a PSI which continues its gradual dissociation from the Communists and is prepared to abstain when future CD-led governments are formed.

III. DEFENSE AND FOREIGN POLICY

A. Italy's Role in NATO and Atlantic Community

35. Italian governments have consistently supported American objectives in NATO and in Atlantic Community affairs in general. With the obvious exception of the Communists and PSI left-wingers, most of Italy's political leaders regard NATO as essential to the preservation of peace and, above all, vital to the security of Italy against Soviet Bloc intimidation or aggression. Thus, even in the face of the persistent and highly organized attacks by the left, Italy was the first continental NATO country to accept IRBM bases on its territory, and it has demonstrated a keen interest in establishing a NATO multi-lateral nuclear capability as proposed by the US last year.

36. There are some differences of opinion which cut across party lines as to the extent to which Italy should devote its wealth and natural resources, and subordinate its freedom of action, to NATO requirements. Moreover, domestic political considerations also affect the outlook of Italian politicians on international affairs. Conservative elements of the center and right parties are apprehensive lest a global detente benefit the Socialists or

the Communists at the polls. On the other hand, certain elements of the center and left hope for a detente in the belief that it would facilitate the process of rapprochement with the PSI. However, under the circumstances likely to prevail during the period of this estimate, Italian governments will continue to support and to participate in NATO activities at present levels. There will, nevertheless, be continuing difficulties in securing increased financial support from Italy for NATO programs.

37. Italy, which is a charter member of the European Economic Community (EEC), the OECD and other regional organizations devoted to the principle of European integration, will probably continue to be a staunch advocate of European integration and would probably go further than either France or Germany in surrendering sovereign prerogatives to achieve such a union. To the degree that Italy's economic life becomes integrated with the other nations of the EEC group, Italy will develop a larger identity of interest with the two major continental powers, France and Germany. We believe, however, that for the period of this estimate, Italy will continue its close alignment with the US.

B. Other Italian Foreign Policy Issues

38. Any CD-dominated government can be counted on to follow the lead of the US on most foreign policy issues such as Berlin, nuclear testing, and disarmament, although it may not always agree with American tactics. Italian governments cannot be counted upon for support of present US policy on the issue of UN membership for Communist China.

39. On the matter of financial contributions to OECD-sponsored international economic aid programs, Italian governments will plead domestic priorities. Pointing to their own underdeveloped South, the Italians have failed to respond to US urgings to contribute to foreign aid programs, and they will probably continue to do so for some time to come. Italy has also been reluctant to assume exclusive responsibility for the provision of military assistance and training to its former trust territory, the Somali Republic.

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40. Both Italy and Austria have appealed to the US for support in their current dispute over the South Tyrol. The Austrian Government, in behalf of German-speaking groups in the South Tyrol, maintains that Italy has failed to live up to the terms of the de Gasperi-Gruber Agreement of 1947 which, by the Austrian interpretation, promised an autonomous status to the German-speaking population of that area. Italy has from the outset rejected this demand, fearing that the ultimate Austrian goal is secession. Although the bitterness which caused severe strains to Austro-Italian relations during 1960 has abated somewhat, the issue will certainly continue to be a source of friction for some time to come.

41. Italian foreign trade activities, notably those of Mattei and his state-owned oil monopoly, will probably continue to cause some friction between Italy and the US. Mattei has waged an aggressive campaign to obtain oil concessions in competition with the major US and other Western firms, with significant success in Iran, Libya, and Ghana. In view of

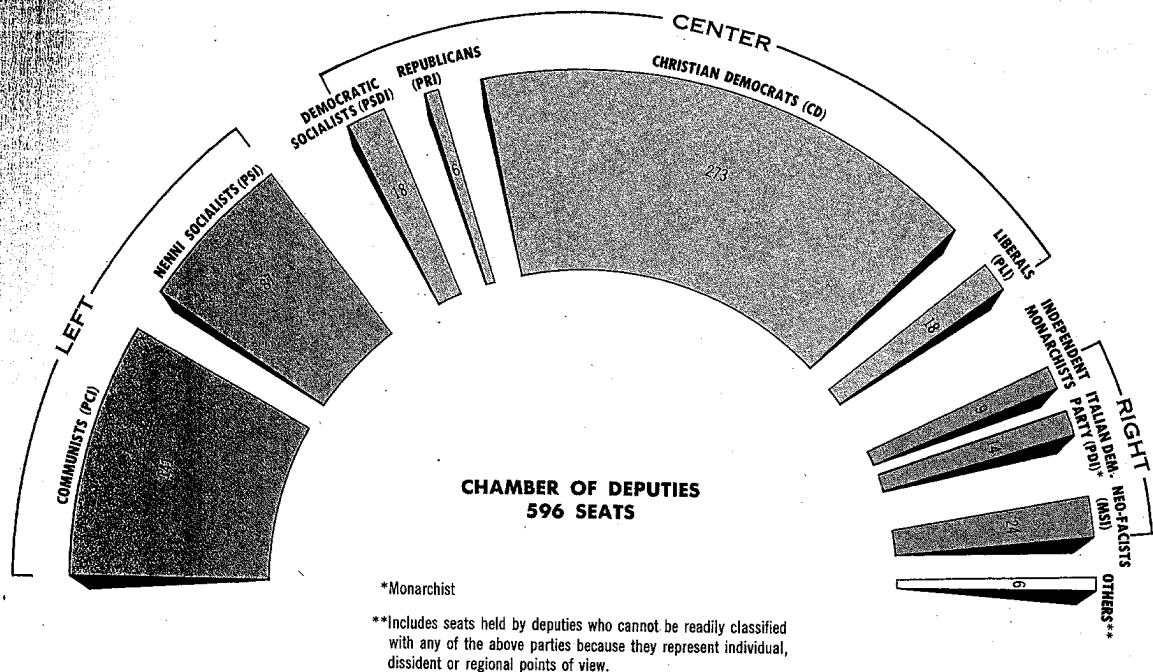
Mattei's enormous influence in domestic politics, the enticement of cheap oil for Italian industry, and the prestige of an Italian "presence" symbolized by the ENI banner in underdeveloped areas, it is unlikely that the Italian Government will attempt to curb Mattei's activities significantly.

42. Mattei has also recently promoted an expanded Italian-Soviet trade agreement under which the USSR will supply some 17 percent of the crude oil to be refined annually in Italy, in exchange for oil pipeline materials, tankers, and other important heavy industrial goods. Given Italy's increasing interest in securing foreign markets, trade with the Bloc (which includes some dealings with Communist China) is likely to increase over its present level of about six percent of Italy's total foreign trade. Particularly in view of Italy's growing ties with the other Common Market countries, however, we consider it unlikely that trade with the Bloc would assume sufficient importance to have any noticeable effect on Italy's defense or foreign policy.

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PARTY COMPOSITION OF THE ITALIAN CHAMBER OF DEPUTIES June 1961

Figure 2



PARTY ALIGNMENT ON VOTE CONFIRMING
FANFANI GOVERNMENT 5 AUGUST 1960

- Support
- Abstention
- Opposition

FIGURE 3



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